SUMMARY OF LAWS AND REGULATIONS ON BANK INDONESIA

Regulation : Issuance of Bank Indonesia External Circular Letter Number 12 / 18 /DPM dated July 7, 2010 concerning Open Market Operation.

Effective Date : Effective as of July 7, 2010

Summary :

1. Consideration of the issuance of the provisions:

   The issuance of provisions on Open Market Operation (OMO) is aimed at streamlining several provisions on OMO instruments which have been separated all this time. In addition, the issuance is made in order to bring type of OMO instruments and its utilization in line with current market practice.

2. Main provisions:

   a. OMO is performed in the context of the implementation of monetary policy by Bank Indonesia through the issuance of SBI, term deposit transaction, repurchase agreement (repo) transaction, reverse repo transaction, and outright sale and purchase transaction on securities in the secondary market.

   b. SBI has certain characteristics and is issued in the context of liquidity absorption of rupiah in money market through an auction mechanism.

SBI must be held at least 1 (one) month prior to be traded in the secondary money market.

Such holding obligation is excluded for:

1) SBI transaction by the Monetary Operation Participants with Bank Indonesia. Such transactions cover, among other things, repo, outright, grant, and collateralization transactions.

2) SBI transaction performed upon the enactment of provision on minimum holding period which is a part of transaction performed prior to the enactment of such provision is also excluded from the provision on minimum holding period, until such transaction is matured.

c. Term deposit transaction is within 1 (one) day-tenure up to the 12 (twelve) month-tenure and performed in the context of liquidity absorption of rupiah in money market through the auction mechanism. The term deposit may be disbursed prior to the early redemption if the OMO Participant no longer own SBI and/or Sovereign Securities.

d. Repo transaction is performed in the context of liquidity injection of rupiah in money market based on sell and buyback principles. The repo transaction is performed through the auction mechanism and has 1 (one) day-tenure up to 12 (twelve) month-tenure.

e. Reverse repo transaction is performed in the context of liquidity absorption of rupiah in money market based on sell and buyback principles. The reverse repo transaction is performed through an auction mechanism and has 1 (one) day-tenure up to 12 (twelve) month-tenure.

f. Transaction on outright purchase and sale of SBN by Bank Indonesia in the secondary market is performed in the context of liquidity injection/absorption with an auction method through BI-SSSS.

g. Sanctions will be imposed against:

1) The cancellation of OMO, in the form of :

a) written reprimand;

b) financial penalty of 0.01% of the nominal value of the transaction

being declared null, in a minimum amount of Rp10 million and in a maximum amount of Rp100 million; and

c) temporary suspension of participation in OMO activities for 5 (five) consecutive business days if the OMO transaction is cancelled for the third time during 6 (six) month-tenure.

2) The violation of provision on minimum holding period of SBI, in the form of:

a) written reprimand; and

b) financial penalty of 0.01% of the nominal value of the SBI transaction which is not comply with the provision on minimum holding period, in a minimum amount of Rp10 million and in a maximum amount of Rp100 million per day.

3. Closing provisions

Following the enactment of this Circular Letter, the previous Circular Letters as well as its amendments concerning:

a.   The Procedures for the Purchase and/or Sale of Sovereign Debt Securities by Bank Indonesia in the Secondary Market in the context of Open Market Operation.

b.   The Implementation of Fine Tune Operation Transactions in the Context of Open Market Operation.

c.   The Issuance of Bank Indonesia Certificates through Tenders.

d.   Reverse Repo Transaction on Sovereign Debt Securities with Bank Indonesia in the Context of Open Market Operation.

shall be revoked and declared null and void.

DPM